

BUSINESS SURVEY

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Executive Summary

In June, the Utah economy continued to boom, extending a trend of growth in current and expected revenues since April 2021. This growth follows a steep increase from December 2020. Over the next year, Utah businesses expect steady revenue growth relative to 2019. This steady growth is consistent across industries including Arts, Entertainment, and Recreation, which expect large gains in the fall.

Business risks due to loan conditions, finding suppliers, and employees all decreased. Additionally, inflation risk decreased slightly in June, indicating that recent price jumps might be temporary. Fewer firms report increasing their prices and the average price hike among those increasing is lower in June relative to May. Employment growth remains strong; in particular, Agriculture, Arts, and Construction are looking to substantially ramp up hiring, partly due to higher seasonal demand. Finally, in June we spotlighted unemployment insurance (UI) programs that are set to expire during the month. We find these programs led to higher wages and benefits for some, and that their expiration may be spurring some self-employed business owners to seek out full-time jobs.

CURRENT BUSINESS CLIMATE

We quantify the general business climate by asking respondents to compare their current revenue and their revenue expectations over the next three months to their revenues in the same month in 2019, to account for the change since pre-pandemic “normal.” This relative revenue comparison is also useful since reported values will take seasonality into account: for example, the holiday shopping season in December. Current and expected revenues define four business cycle regions; boom, downturn, recession, and recovery. Specifically, when businesses have current and expected revenues above those of the same month in 2019, we designate them as in a boom. Similarly, when businesses have current and expected revenues below those of the same month in 2019, we designate them as in recession. In contrast, firms



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Figure 1: Business Cycle

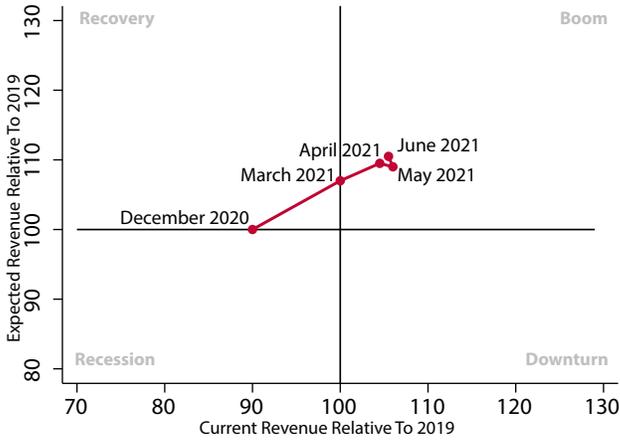
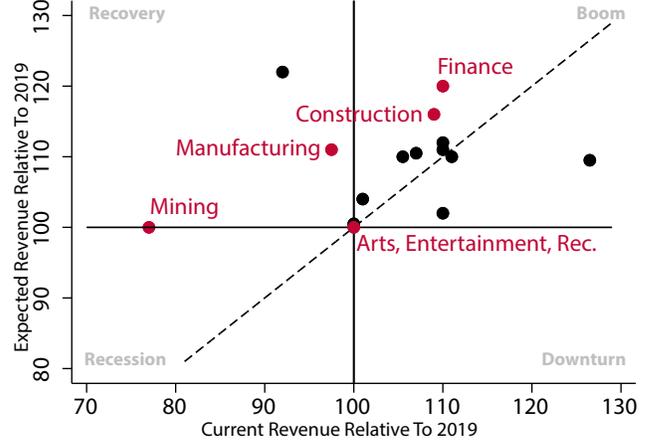


Figure 2: Business Cycle by Industry



are classified as being in a downturn if current revenues are higher than 2019 levels, but expected revenues over the next 3 months are lower than 2019 levels. Similarly, firms reporting that their current revenues are below 2019 levels but are expecting revenues in the next 3 months to be above 2019 levels are classified as being in recovery territory.

Figure 1 shows that Utah remains in the boom territory in June: current revenues remain higher than this time in 2019 and revenues over the next three months are expected to remain above their corresponding 2019 levels. The higher revenues and expected revenues have remained similar since April 2021 after a large increase from December 2020. Note: to minimize the effect of outliers, **Figure 1** presents median values.

Figure 2 shows strong economic growth across industries. Finance and construction are booming with revenues 10% higher this month relative to 2019 and expected revenue growth above 10%. Most industries are above the 45-degree dashed black line, suggesting that they expect stronger revenue growth over the next three months. In other words, most industries expect the next three months to show more growth relative to 2019 than this month has.

LONGER-TERM BUSINESS EXPECTATIONS

Figure 3 reports the median expected recovery over the next year by industry and in the overall economy. Businesses expect steady growth through next year. Utah businesses across all industries expect continued growth. Art, Entertainment, and Recreation firms expect growth to occur mostly in the fall. Other industries are expecting steady growth throughout the next 12 months.

Figure 3: Longer-term Revenue Expectations

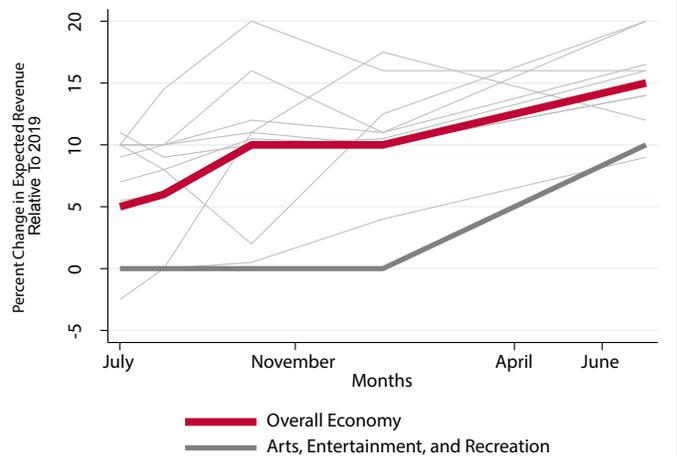


Figure 4: Risk Perceptions

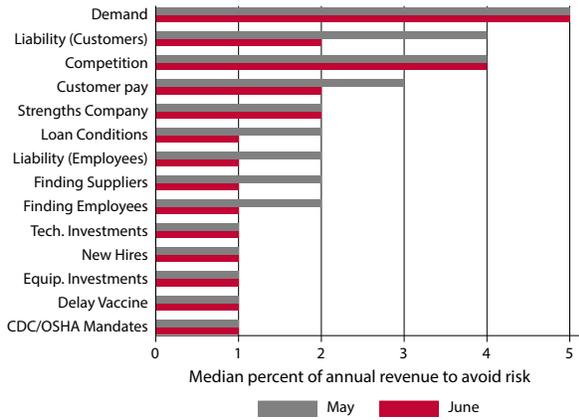


Figure 5: Slow-to-Recover Firms

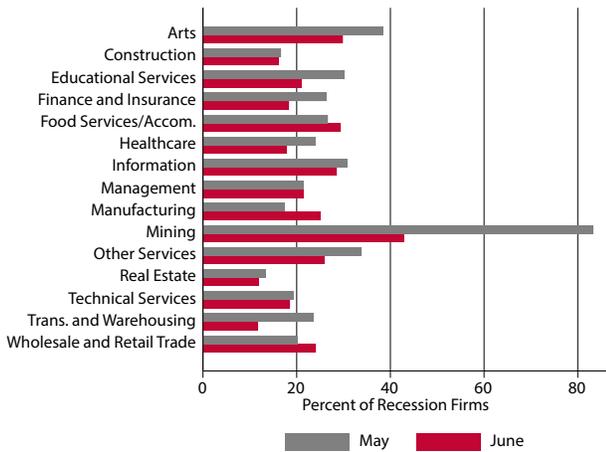


Figure 6: Hiring Expectations

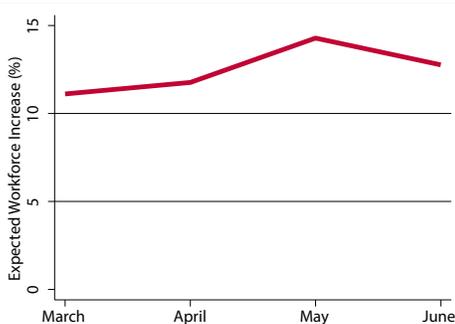
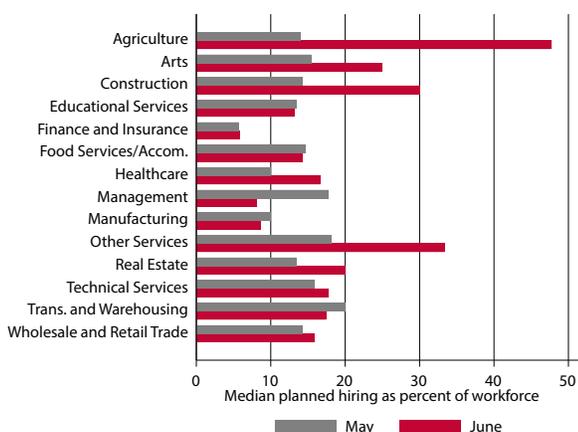


Figure 7: Hiring Expectations by Industry



RISK PERCEPTIONS

To assess the risks Utah businesses are concerned about, we ask what percentage of annual revenues they would be willing to give up to avoid various risk scenarios. A higher percentage of revenue associated with a particular scenario indicates a greater perceived risk to the firm from that scenario.

Overall, risk perceptions continued to decrease from April and May. **Figure 4** reports the top concerns are: “uncertainty about demand,” “competition,” “COVID-19 liability from customers” “customer’s willingness to pay,” and “strengths of the company.” Risk perceptions decreased for many categories, including “loan conditions,” “finding suppliers,” “finding employees,” “customer willingness to pay” and “COVID-19 liability from customers.”

SLOW TO RECOVER BUSINESSES

While most industries are in boom territory, there remain firms in many industries that are struggling to recover. To measure this, we look for firms that currently have revenues below their June 2019 levels and that expect revenues to remain below the 2019 level for at least the next three months. We report changes in the percentage of these “recession firms” in **Figure 5**. Across most industries, the number of firms slow-to-recover decreased. There were large decreases in Mining, Arts, and Transportation and Warehousing. These trends suggest more and more firms are benefitting from the strengthening economy.

HIRING

Figure 6 shows that, overall, businesses are expecting to increase their workforce. Businesses reported looking to expand by more than 10% in June, only slightly less than in May. The large interest in hiring is indicative of a strong and growing economy.

Figure 7 highlights differences in planned hiring across industries. The figure shows expected hiring as a percentage of the existing workforce (calculated as the number of planned hires over the number of existing employees). This percentage tends to be high, as many of the businesses we survey are relatively small in terms of employees. **Figure 7** shows that planned hiring in June is relatively high across all industries, with Arts, Entertainment, and Recreation; Agriculture; and Construction showing the most substantial ongoing hiring plans. For Arts, Entertainment, and Recreation, this is likely to reflect the continuing recovery from low employment levels during COVID-19. Construction, on the other hand, has displayed strong employment growth throughout the pandemic.

Figure 8: Price Changes

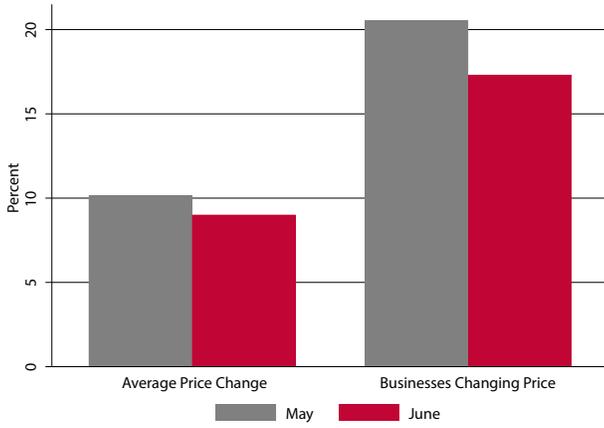
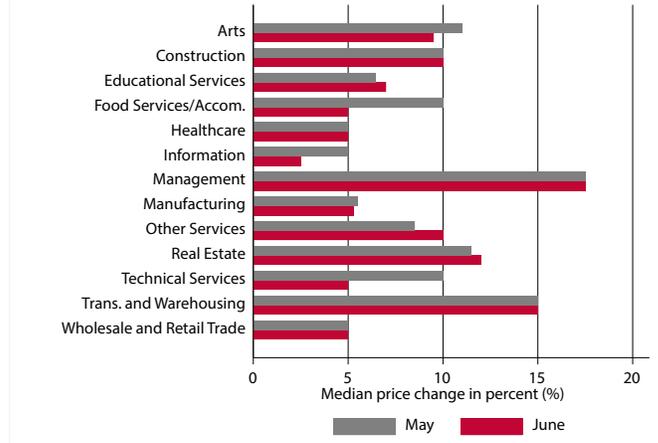


Figure 9: Price Changes by Industry



PRICING AND INFLATION

A key potential concern in a booming economy is inflation. To track the risk of inflation for the Utah economy, we ask businesses whether they changed their average prices last month and, if so, by how much. In this setting, it is useful to keep in mind that most businesses change their prices infrequently and, therefore, also tend to set their prices even higher if they expect high future growth and/or inflation. **Figure 8** reports both the number of businesses that reported price changes, as well as the median reported price changes (in percent).

We find that roughly 16% of firms report changing a price last month, which is down from just over 20% in May. Businesses report raising prices by an average of 9% in June, down slightly from 10% in May.

Figure 9 provides additional insight into inflation trends across industries. Overall, price changes are still distributed somewhat unevenly, which is consistent with the view that the Utah economy is not yet suffering from broad, sustained inflation. Some industries saw decreases in median price changes in June relative to May, for example: Food Service and Accommodation, Information, and Technical Services. These changes are consistent with the hypothesis that firms temporarily increased prices to readjust after the pandemic.

SPOTLIGHT: UNEMPLOYMENT INSURANCE

Unemployment insurance (UI) and pandemic unemployment assistance are social safety net programs that have helped people through unemployment and underemployment during the pandemic. As the economy continues to grow, many states have phased out parts or all of these programs. In Utah, the Pandemic Unemployment ends June 26, 2021. This includes ending the “Pandemic Emergency Unemployment Compensation”, for employees and the “Pandemic Unemployment Assistance”, for self-employed businesses.

To understand businesses’ perceptions of these programs, we first asked businesses and self-employed people about the timing of the expiration of these programs or boosts to UI.

Figure 10 shows that employers are generally more aware of the precise expiration date of the UI benefits than self-employed people.

Figure 10: UI Expiration Awareness

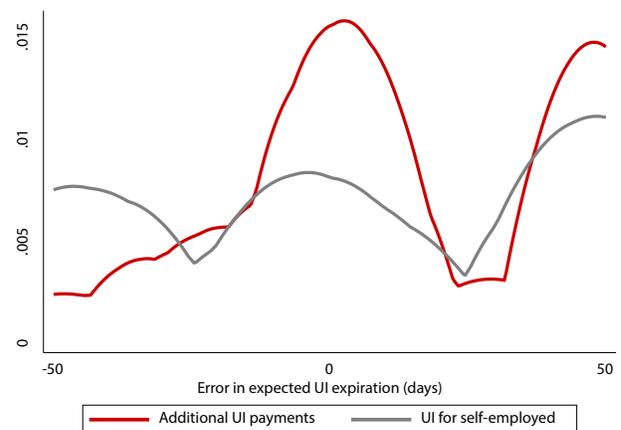
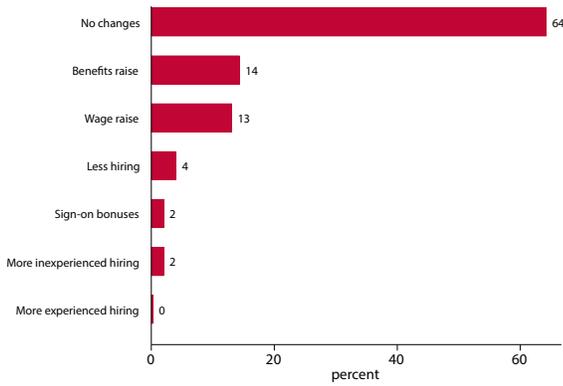


Figure 11: UI Impacts on Hiring



Second, we asked businesses about the effects of the unemployment insurance benefit boost during the COVID-19 pandemic on their hiring practices. In **Figure 11**, we report that while most businesses' hiring practices were unaffected by this boost, 27% said the UI boost increased wages or benefits they had to pay, while only 4% indicated the UI boost reduced their hiring ability.

Third, we asked how the expiration of the "Pandemic Unemployment Assistance" (PUA) program affected whether self-employed business owners would potentially look for full-time wage employment.

Figure 12 shows a large percent of self-employed business owners are indeed starting job searches in the wake of PUA expiration. This is consistent with the idea that self-employed businesses held out for better business conditions with PUA but now are looking for work instead of continuing their contract or gig work.

Finally, we asked how the expiration of PUA will affect longer-term financial planning and self-employment or contract work. **Figures 13 and 14** show that this expiration will have small impacts on financial planning or the search for more stable employment.

Figure 12: UI Impacts on Self-employment

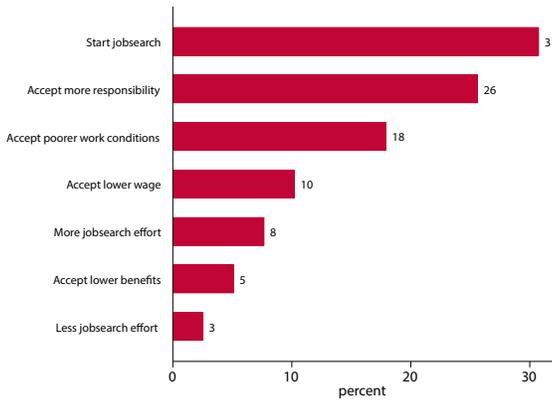


Figure 13: UI Impacts on Financial Planning

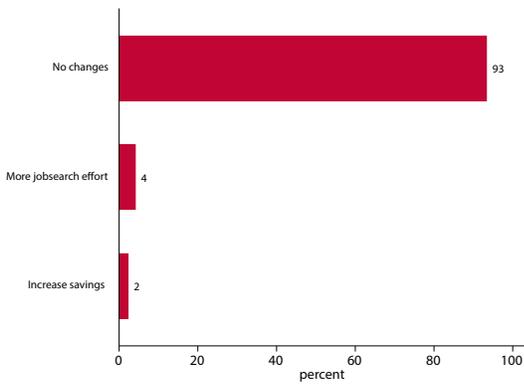


Figure 14: UI Impacts on Contract Work

